



FORECLOSURE AVOIDANCE INFORMATION

If you are having trouble making any upcoming mortgage payments on your home, please continue reading for some helpful advice.

The most important thing to do if you think you may be having trouble making your payments is to contact your lender, by telephone or at their web site. Although it may be scary or embarrassing to make that call, your lender has friendly, knowledgeable, loan counselors available who can discuss your situation in detail and explore your options.

CalHFA Servicers are encouraged to explore all available alternatives that will result in eventually bringing your loan current. Possible solutions may be a short or long term repayment plan, special forbearance to suspend payments for a period of time, loan modification, or partial claim. If there is no hope of retaining the property, the possibility of a short sale, loan assumption or deed-in-lieu of foreclosure may be explored. Subject to CalHFA and mortgage insurance company approval the following loss mitigation possibilities may be considered:

- Special Forbearance Plan

A forbearance plan is a formal written agreement which allows a borrower to either suspend making monthly payments or make less than the scheduled monthly payments for a specified period of time. If agreed to by all parties, mortgage insurer, servicer and CalHFA agree to delay foreclosure or other legal action in return for the borrower's promise to pay the arrearage or full unpaid principal balance by a specific date. Typically, special forbearances are for a term not longer than 3 months. Forbearances longer than 3 months must be determined on a case-by-case basis.

- Repayment Plan

A repayment plan allows the borrower to bring the loan current within a given time frame by making scheduled payments towards the delinquent amount in addition to the regular monthly payments. This type of workout is generally used when delinquency results from a temporary curtailment of income which has since been resolved.

- Short Term plan – 6 months or less
- Long Term plan – 7 months or more. (Documents required: hardship letter, financial worksheet, credit report, last 2 months pay stubs, last 2 months bank statements, last 2 years tax returns, and documentation verifying a decrease of income or increase of expenditures.)

- Loan Modification

At CalHFA's sole discretion, a loan modification may be considered. A loan modification changes one or more of the terms of the note and/or mortgage in order to bring the loan current and avoid foreclosure. (Documents required: hardship letter, financial worksheet, credit report, last 2 months pay stubs, last 2 months bank statements, last 2 years tax returns, documentation verifying a decrease of income or increase of expenditures, preliminary title report, and opinion of value. Once the proposed changes to the loan have been agreed upon by all required parties (borrower, mortgage insurer, servicer, subordinate lien holders and CalHFA), a written Loan Modification Agreement between the servicer and the borrower which specifies these changes is executed. The loan terms are modified by either:

- Reamortizing the loan balance within the remaining loan term
- Adding the delinquent amount to the unpaid principal balance (capitalization)
- Short Sale
In the event that a loan modification, special forbearance plan or repayment plan is unsuccessful in bringing the loan current CalHFA may consider a short sale. A short sale (also called presale, compromise sale, short payoff or pre-foreclosure sale) is simply a borrower's sale of the mortgaged property prior to foreclosure sale with insufficient net proceeds to payoff of the loan. All parties (borrower, servicer, subordinate lien holders, and the mortgage insurer) must agree that the net proceeds of the sale satisfy the complete and total payoff of the mortgage. (Documents required: hardship letter, borrower financial worksheet, credit report, last 2 months pay stubs, last 2 months bank statements, last 2 years tax returns, documentation verifying a decrease of income or increase of expenditures, estimated HUD-1, listing agreement, purchase agreement, and current appraisal.)
- Deed-In-Lieu
As an alternative to a foreclosure, CalHFA at its sole option may consider acceptance of a Deed-in-Lieu of Foreclosure. A Deed-in-Lieu of Foreclosure is the acceptance of a deed from the borrower before foreclosure to avoid a lengthy foreclosure, as well as, additional interest accrual plus expenses. This option is generally applicable when all other relief measures or loss mitigation alternatives have been explored and proven unworkable as when the borrower's ability to make the mortgage payments has been permanently curtailed and when marketing efforts to sell the property have been unsuccessful. CalHFA may also consider this option for a borrower who has a non-reaffirmed chapter 7 bankruptcy. CalHFA prior approval is required and many conditions must be met, including mortgage insurer approval, ability to convey clear, marketable and insurable title, property has been listed for sale at fair market value for a minimum of 3 months without a reasonable sales offer, property is in good condition and possession can be delivered, property is subject to no liens or restrictive agreements affecting marketability. (Documents required: hardship letter, borrower financial worksheet, credit report, last 2 months pay stubs, last 2 months bank statements, last 2 years tax returns, documentation verifying a decrease of income or increase of expenditures, preliminary title report, and current appraisal.)

To discuss your specific situation please contact your lender. Communication is the first and most important step toward resolving your financial struggles. In addition to contacting your lender, there is also a toll free referral number, 800.569.4287, run by the US Department of Housing & Urban Development which can help you locate homeownership counseling agencies in your area. Additionally, we encourage you to use other available counseling sources, including:

888.995.HOPE or www.995HOPE.org
www.yourhome.ca.gov / www.sucasa.ca.gov

If you are a member of the military, you may even be entitled to rights and protections under the Servicemembers Civil Relief Act. For additional information on this program, please contact Military OneSource at 800.342.9647 or www.militaryonesource.com. You can also contact your unit's Judge Advocate or their installation's Legal Assistance Officer.

You've worked hard to attain the American Dream, and your lender's goal is to help you retain ownership of the home you value so dearly.